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AUTHOR Thompson, Donna; Morgovsky, Joel
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ABSTRACT

Outsourcing in higher education refers to the practice of contracting with private, off-campus firms to provide or manage services which have historically been provided in-house. Budget cutbacks and declining private support have led to increased use of outsourcing for non-mission-critical and non-instructional services, such as information technology (IT) services. In addition to lower costs, outsourcing can also lead to improved efficiency in service and operations, increased access to new technologies, and increased flexibility in planning. Drawbacks, however, include loss of jobs for college staff, possible declines in employee morale, and the chance that the college's identity and sense of community may be compromised. At New Jersey's Brookdale Community College (BCC), the decision was made to outsource IT services after the rapid growth of computers at the college left the academic and administrative computing departments unable to both maintain installed computers and support new initiatives. Once a company was selected, all of the staff employed by both computing offices were interviewed for positions, with the vast majority being offered positions with comparable salaries and benefits packages. While the move to outsource has given rise to a sense of loss, resentment, and mistrust toward the college among some employees, many of those rehired into the new IT company have indicated that they are positively challenged by their position. Contains 32 references. (TGI)

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# Outsourcing of Technology in Higher Education

# The Brookdale Experience

by Professors Donna Thompson and Joel Morgovsky

Presented at the League for Innovation Conference

Phoenix, Arizona - November, 1996

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# Outsourcing of Technology in Higher Education
# The Brookdale Experience

Professors Donna Thompson, Economics, and Joel Morgovsky, Psychology
Brookdale Community College
Presented at League For Innovation Conference on Technology
Phoenix Arizona
November, 1996

Presentation Outline
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   A. Reasons for Considering IT Outsourcing
   B. Benefits and Costs of Outsourcing IT.
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Part Two - Professor Morgovsky

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      b. "bumping" process
   E. Insourcing experiments at Brookdale
   F. The Aftermath
      a. change of organizational climate
      b. sense of loss, insecurity, mistrust, resentment
      c. higher productivity
      d. evaluation of IT outsourcing not yet available - stay tuned.

## What Is "Outsourcing"

Outsourcing (in higher education) involves the contracting with private off-campus firms to supply, provide, or manage selected services which have historically been provided in-house.

## Outsourcing Trends

Several major trends are at work today, reshaping the American economy. One is the growing move to the outsourcing of work and services. Concerned with costs, profit margins, and productivity, there is an increasing trend toward contracting out non-core functions.

Although the outsourcing trend has been slower in higher education than in private industry, many of the reasons for outsourcing are relevant in both sectors of the market. Both private and public institutions of higher education are following industries lead into the outsourcing arena. Many private colleges and universities have privatized a variety of non-instructional functions for several years. Over the past few years, state budget cut-backs and decreasing private funding has eroded the salary-heavy budgets in many higher education institutions. For this reason, budget-conscious legislators in many states are encouraging publicly supported institutions to follow the lead of many private colleges and universities by outsourcing some of their non-mission-critical, non-instructional services.

While the emphasis of this presentation is on the Outsourcing of Technology in higher education, it is important to note that IS (IT) outsourcing has existed for many years in private industry and multimillion dollar contracts are now commonplace. IS (IT) Outsourcing has matured into a multi-billion dollar industry, with corporations like IBM,

Xerox, Kodak, Delta Airlines, MCI, AT&T, McDonnell Douglas, British Petroleum, and General Dynamics, et al involved.

It is our contention that the outsourcing of technology (as well as other areas) is here to stay, and will continue its upward trend at least until the end of the decade.

## Frequently Outsourced Cost Areas

A decade ago outsourcing contracts usually involved "back-office" functions. Cost areas in institutions of higher education that are frequently outsourced today include the following:

- Bookstore
- Food-services
- Health center
- Custodial Services & Maintenance
- Grounds care
- Mail-delivery
- Printing
- Security & Safety
- Fund-raising
- Facilities & Arena Management
- Housing Operations
- Purchasing
- Communication Services
- Business Services (accounting, billing, payables)
- Parking

and last, but not least

- Computing (IT/IS - Administrative & Academic)

It is estimated that colleges could potentially outsource 40% of their support services. (Mercer)

## Why Outsource?

- Budget Pressures
    - Technology expenses are growing faster than budgets
    - Demand for quantity/quality of services is greater than the college's ability to provide them
- Rapid Pace of Technological Change
    - Skills to evaluate, implement, and manage new technologies do not exist in-house
    - Critical mass of aging technologies
- Management Difficulties
    - IT director and support staff work long hours just to maintain the status quo
    - Time and energies devoted to managing IT interferes with the ability to focus on the institution's mission
    - Complaints by faculty and students about support services

## Benefits of Outsourcing IT

- Lower Cost
    - Decreases, contains, or reduces the rate of increase in IT costs
        - Cost control and tax reduction
        - Revenue predictability
- Efficiency
    - Improves the level of IT service and operating efficiency (Relieves feeling "overwhelmed" by rapid IT changes)
    - May improve the quantity/quality of equipment and offer access to technological innovations
    - Can attract qualified computer personnel to institutions in remote rural locations
    - May facilitate restructuring the entire organization
        - Reallocate information officer's expertise
        - Single point of accountability

Flexibility

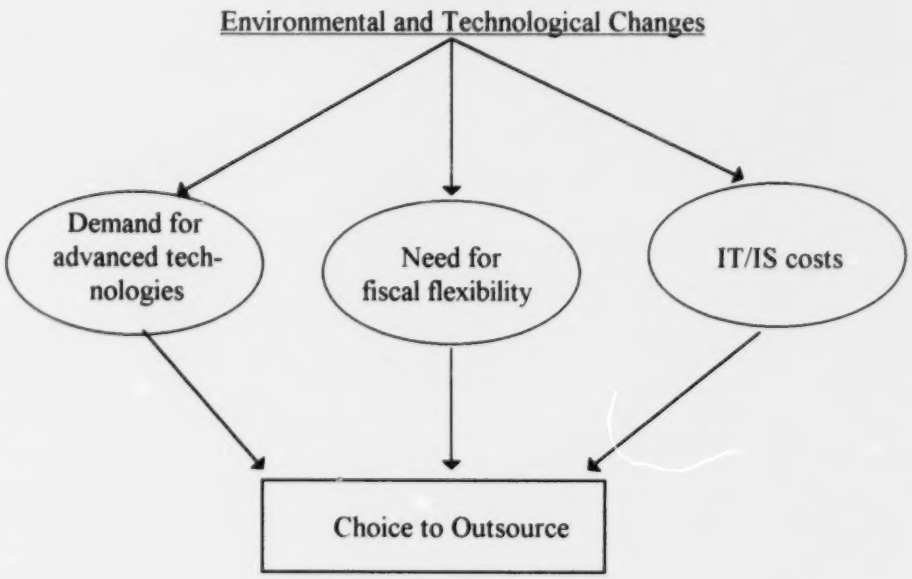
- Increased flexibility to change directions, objectives, and services
    - Institution's can concentrate on the "business of the business"

## Costs of (Cons) Outsourcing IT

- Loss of jobs for IT staff
- Loss of control and qualified IT staff

- May affect employee morale and productivity
- Vendor's profitability may override provision of services not explicitly stated in the contract
- May compromise the college's identity and sense of community
- Hidden Costs
- Multi-year outsourcing contracts are unwise with rapidly changing technologies
- Service may be unresponsive to institution's objectives

**Increasing IT Costs**



A firm is more likely to outsource technology if:

- IT/IS does not relate to its core mission
- There is a need for flexibility to adapt to environmental change
- The demand of IT/IS skills exceeds the supply of IT/IS skills
- Changing technologies are making IT/IS skills outdated
- Rising IT/IS costs

## IT Outsourcing Models

- Outsource only administrative computer systems (Admissions, registration, student aid, etc)
- Outsource service for computer maintenance and technical support (Desktop infrastructure, virus protection, help desk, upgrades, installation, technology assessment, disaster recovery )
- Outsource cabling, procurement, inventory & parts management, audit functions
- Outsource training faculty to integrate technology into courses (Courseware development , software application and design)
- Outsource Network Management (LAN and LAN internetwork equipment management, LAN recovery planning and configuration)
- Outsource the management of computer labs
- Outsource all IT assets to a vendor (both hardware and staff) versus outsourcing daily operations, not ownership of hardware and staff

There is no shortages of outsourcing vendors. Peterson's Guide lists more than 2000

companies which provide more than 100 services. Two companies most active in the higher-education technology market are:

(1) Systems & Computer Technology Corportation, Malvern, Pa.

(2) COLLEGIS, Exton, Pa.

Both offer a variety of services ranging from advising colleges on technology related decisions to managing their computer centers. They serve both large and small colleges.

## Part Two - The Brookdale Outsourcing Experience

While it is not my intention to provide exacting detail about the outsourcing process at Brookdale Community College, I am comfortable sharing with the reader a few significant factors that characterize our experience in that regard.

First, it is important to note that prior to the decision to privatize its information technology services, the College had already gone through the process of outsourcing two other units: Maintenance and Groundskeeping. These were learning experiences in which the College attempted to reform the existing units before deciding to hire private service providers. New standards of performance were set out and agreed upon by the unionized staff. Only after the existing units failed to meet the new performance standards was the privatizing decision finalized. Even so, each Brookdale employee was provided help with severance and benefits to minimize the negative effect of the transition.

The decision to outsource technology services at Brookdale was a more complex matter, however, since the staff involved were both unionized and professional. For more than ten years, technology services at the College were provided by two units: Academic Computing and Administrative Computing. Both organizations reported to the Administration and Operations Vice-President. During that decade, given the rise of PCs and their proliferation in academic departments across the campus, distinctions between the two organizations became more difficult and supervisory boundaries began to overlap. Competition for staff, dollars and realms of authority became common and counterproductive.

Academic computing at Brookdale expanded very rapidly during that time, proliferating throughout the curriculum and computers increasingly became essential tools for delivering instruction. A victim of its own success, the Office of Academic Computing reached a point of critical mass at which the funds it had available could no longer serve to both maintain the installed base of computers and support new initiatives arising from departments eager to get started with the technology. Thus, while undoubtedly successful, the Office of Academic Computing nevertheless became a candidate for outsourcing.

Administrative Computing faced a different reality at the brink of outsourcing at Brookdale. The core of the College's administrative computing capability was, and still is a mainframe computer. Administrative offices are connected through a rudimentary network that delivers LAN software originally intended for use in small legal offices. In addition, many business and student services areas of the College are using non-standard software applications that, in many cases, have been modified in-house to keep up with expanding requirements. Inertia was strong in that unit and change to PCs, full College networking and client/server systems was, at best, slow in coming.

Against this backdrop, senior administration at the College actively explored the potential processes and benefits for outsourcing technology services at Brookdale. Consultants were hired to assist in finding reliable outsourcing firms and to evaluate the situation at the College for the purpose of generating an R.F.P. Several companies submitted proposals and one was finally selected. At this writing, six months have elapsed since the transition was affected.

All of the staff employed by Brookdale in Academic and Administrative Computing were interviewed for positions in the outsourcing company (now referred to as Office of Information Technology - O.I.T.) The vast majority were offered positions with O.I.T., positions that carried comparable salary and benefits packages. Members of the non-academic staff union involved in the transition had the option of either joining O.I.T. or

"bumping" less senior staff in other College offices. It took several weeks for the ripple effect of that action to resolve itself.

While it is too soon to evaluate the effectiveness of the outsourcing decision for information technologies at Brookdale, it is possible to report a few important observations. Using outsourcing as a management tool, the College has undergone a significant change of organizational culture and climate. Simply by moving from the position of an institution that does not privatize services to one that does has impacted the general sense of employee loyalty. Many staff members now employed by O.I.T., but just recently employed by the College, express a sense of loss, resentment, and mistrust toward the College. Similarly, some College employees, observing the outsourcing process, worry that their unit might be next, with concomitant morale effects.

On the other hand, many O.I.T. employees rehired into management positions report that they are positively challenged by the work in their new posts and are pleased with the increased authority, autonomy and reward systems. Many say that, from their perspective, productivity has never been higher.

Looking from the College's financial perspective, the outsourcing decisions made over the last three years have reduced the employee count by nearly 100 unionized staff at all levels. While there are many ways to calculate the cost/benefits, most projections forecast savings that adequately justify the several outsourcing decisions. Full assessment of the performance of each private service providers is built in to their contracts. Sanctions and rewards are spelled out as consequences for varying levels of service.

Since formal evaluation of our new Office of Information Technology has not yet taken place, I must close with additional subjective observations. Outsourcing is not an action to be taken lightly. Its potential benefits must be weighed against the costs in dollars and human relations at the institution. Choose units carefully. Employ consultants to advise

about reputable companies, important aspects of contracts and producing R.F.P.s. Move slowly and with maximum respect for employees caught in the transformation.

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